

**Before the
Federal Communications Commission
Washington, D.C. 20554**

In the Matter of)	
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51

**COMMENTS OF
THE NEBRASKA RURAL INDEPENDENT COMPANIES**

Dated: June 8, 2009

The Nebraska Rural Independent Companies

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TABLE OF CONTENTS

I.	Introduction.....	1
II.	The Commission Should Acknowledge and Resolve the Conflict between the “Competition Entitlement” Principle of Its September, 2005 Policy Statement and the Reality of Broadband Deployment in High-Cost Areas.....	3
III.	The Commission Should Transition the Federal High-Cost Universal Service Programs from Support for Voice Service to Support for Advanced Telecommunications Capability.	4
	A. The Commission Should Develop a Universal Service Program to Support Broadband Access to the Public Internet in High-Cost Areas.	4
	B. Formulating Broadband Cost and Revenue Models Is a Reasonable Approach to Meeting the Requirements of 47 USC § 254 that Universal Service Support Be “Specific, Predictable and Sufficient.”	5
IV.	The Nebraska Universal Service Fund High-Cost Program Contains Elements the Commission Should Consider in the Development of a Federal Mechanism for Broadband Internet Access.	7
V.	The Commission Should Adopt Clearer Incentives for States to Develop State-Level Broadband USF Programs.	14
	A. Citizens Should Not Rely Solely on the Federal Government for Infrastructure Support.	14
	B. States Should Be Engaged in Political Decisions to Support Broadband Deployment.	15
	C. The Commission Should Provide Guidance to States in Estimating the Size of States’ Broadband USF Programs.	15
VI.	Conclusion	16

SUMMARY

Because market forces alone are inadequate to achieve the goal of all Americans having access to broadband capability, the Nebraska Rural Independent Companies (Nebraska Companies) urge the Commission to revise its 2005 Policy Statement to account for market failures in high cost areas, to transition its universal service programs from support for voice service to support for broadband access to the public Internet, and to base such support programs on realistic cost and revenue models.

The Nebraska Companies believe the Commission can benefit from a study of high cost programs such as that developed by the Nebraska Public Service Commission (NPSC), and the Nebraska Companies provide herein an overview of the key features of the NPSC's mechanism that the Commission should consider in the development of its own support program for broadband Internet access. While the NPSC's mechanism models only local loop costs and revenues in connection with basic local exchange service, the Commission should account for other substantial cost components of providing broadband Internet access service – especially the “middle mile” costs of connecting local broadband networks in rural areas to the Internet backbone.

Finally, the Nebraska Companies recommend that the Commission work in partnership with the states to encourage development of state broadband USF programs, and to provide technical assistance to the states in such areas as assessing the magnitude of funding needs.

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I. Introduction

The Nebraska Rural Independent Companies (Nebraska Companies)¹ appreciate the opportunity to comment and hereby submit their comments in response to the Commission’s Notice of Inquiry (NOI) released on April 8, 2009 in the above captioned proceeding.² In the NOI, the Commission seeks comment to inform the development of a national broadband plan for our country, focusing on enabling the build-out and utilization of high-speed broadband infrastructure. The Nebraska Companies’ comments below are primarily concerned with the section of the NOI entitled “Effective and Efficient Mechanisms for Ensuring Access”³ – in particular, the paragraphs therein regarding Market Mechanisms, Determining Costs and Universal Service Programs.⁴

⁴ See *NOI* at paras. 37-41.

While market forces provide effective incentives for broadband deployment in most urban areas, such forces cannot sustain broadband deployment in rural and high-cost areas. In those rural and high-cost areas *in which the deployment cost for a single provider's network exceeds the potential revenue from all consumers in the area*, market forces are clearly unable to support broadband deployment.

Without additional support such as a universal service program that allows broadband network service providers an opportunity to recover their costs, it is highly unlikely that the Recovery Act's goal "that all people of the United States have access to broadband capability"⁵ can be achieved. Universal service programs intended to support broadband deployment in high-cost areas should be based on realistic determinations of both costs and revenues, and should be administered in a manner that is transparent and straightforward.

To aid the Commission in understanding the costs of deploying rural broadband-capable networks, the Nebraska Companies believe it is instructive to analyze the Support Allocation Methodology (SAM) adopted by the Nebraska Public Service Commission (NPSC) in 2004 for its state high-cost universal service program. The SAM contains several features that the Nebraska Companies believe the Commission should consider as potential policy principles in the development of a federal high-cost broadband support program. Since states are unlikely to have resources sufficient to support broadband deployment requirements in high-cost areas (for instance, the size of the Nebraska USF is now about 20% of the funding need that was modeled), the Commission should assume the premier role in developing and operating the universal

⁵ American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5 (2009) (Recovery Act), § 6001(k)(2).

service programs needed to achieve statutory objectives.

II. The Commission Should Acknowledge and Resolve the Conflict between the “Competition Entitlement” Principle of Its September, 2005 Policy Statement and the Reality of Broadband Deployment in High-Cost Areas.

The Commission’s September, 2005 Policy Statement set forth four policy principles intended to “encourage broadband deployment and preserve and promote the open and interconnected nature of the public Internet” by identifying certain things to which “consumers are entitled.”⁶ According to the fourth principle, “consumers are entitled to competition among network providers, application and service providers, and content providers.”

The Nebraska Companies have no objection to the principle that consumers everywhere should have a choice among broadband application providers, Internet service providers and content providers, nor do they object to consumers *in some areas of the nation* having a choice among network providers. But the Nebraska Companies believe that adhering to a policy of universal consumer entitlement to competition among multiple network providers – even in those areas in which network providers are reliant on explicit universal service support mechanisms to fund network construction and maintenance *because competition alone cannot sustain a market in such areas* – puts the Commission at risk of mandating the imprudent use of support funds. Competition for broadband service should not be subsidized when a market alone cannot support even one provider. The Nebraska Companies urge the Commission to refine this fourth principle to account for consumers in areas where competition among network providers is not

⁶ *Appropriate Framework for Broadband Access to the Internet over Wireline Facilities*, CC Docket No. 02-33 (other dockets omitted), Policy Statement, FCC 05-151, para. 4 (2005) (*Internet Policy Statement*).

economically feasible.

III. The Commission Should Transition the Federal High-Cost Universal Service Programs from Support for Voice Service to Support for Advanced Telecommunications Capability.

The Commission acknowledges that “marketplace forces alone have not yet delivered even older technologies, such as telephone service,”⁷ in some areas of the country. Indeed, only through deliberate support programs has it been possible to deploy the infrastructure necessary to deliver basic telephone service to high-cost areas.⁸ The Nebraska Companies believe that the Commission should view the cost analysis outlined in paragraph 38 of the NOI as a preparatory step in the development of universal service support mechanisms for at least a minimum level of broadband service. The Commission should begin at once to develop not only appropriate cost models, but *revenue* models as well, for at least one broadband service: broadband access to the public Internet.

A. The Commission Should Develop a Universal Service Program to Support Broadband Access to the Public Internet in High-Cost Areas.

The Nebraska Companies believe the Commission presently has sufficient statutory authority to develop and implement universal service support mechanisms for broadband access to the public Internet, as this certainly qualifies as the kind of “advanced telecommunications capability” defined in Section 706 of the Telecommunications Act of 1996 (the “1996 Act”).⁹ While the Commission deliberates

⁷ See NOI, at para. 37.

⁸ Such support has included low interest rate financing, cost-based toll settlements and access rates, and explicit support via universal service mechanisms.

⁹ Section 706 of the 1996 Act has been codified as a note to 47 USC §157; paragraph (c)(1) reads as follows: “Definitions.—For purposes of this subsection:
(1) Advanced telecommunications capability.—The term ‘advanced telecommunications capability’ is defined, without regard to any transmission media or technology, as high-speed, switched, broadband

on the desirability of regulatory incentives for an ever-expanding panoply of broadband services, it can and should begin at once to craft mechanisms to support one particular broadband service: **broadband access to the public Internet**. By doing so, the Commission can include among the “all Americans” cited in both Section 706 of the 1996 Act and the 2009 Recovery Act¹⁰ those Americans who live where the costs of deploying, operating and maintaining the infrastructure required to support the service exceed potential Internet access revenues.

B. Formulating Broadband Cost and Revenue Models Is a Reasonable Approach to Meeting the Requirements of 47 USC § 254 that Universal Service Support Be “Specific, Predictable and Sufficient.”

The Nebraska Companies urge the Commission to initiate formal proceedings to formulate and evaluate cost models for broadband infrastructure suitable for supporting high-speed Internet access and revenue models for retail high-speed Internet access services. Such models can, if carefully and realistically developed, serve as the basis for a support mechanism that not only serves the public interest but can also facilitate achievement of the specificity, predictability and sufficiency required by federal law of any universal service support mechanism.¹¹

While the Nebraska Companies do not now propose any particular support model, Section IV, following, provides an overview of the high-cost support mechanism adopted by the Nebraska Public Service Commission, emphasizing those elements of the

telecommunications capability that enables users to originate and receive high-quality voice, data, graphics, and video telecommunications using any technology.”

¹⁰ The 2009 Recovery Act uses the expression “all people of the United States;” *see* § 6001(k)(2). Section 706 of the 1996 Act states: “The Commission [...] shall encourage the deployment [...] of advanced telecommunications capability to all Americans ...” (emphasis added); *see* 47 USC 157 nt. (a).

¹¹ *See* 47 USC 254(b)(5).

mechanism the Companies urge the Commission to consider in its own model development. In general, the Nebraska Companies believe appropriately designed cost and revenue models can be incorporated into a support mechanism to achieve a number of sound goals, including the following:

- Model-based support mechanisms can identify geographic areas, rather than carriers, that are in need of support. A stand-alone reverse auction mechanism cannot *a priori* identify which areas are “high-cost” and would therefore be in need of a reverse auction for support funding.
- Model-based support mechanisms can be made to be technology-neutral, by incorporating multiple technologies in the development of the models.
- Model-based support mechanisms can help to achieve urban-rural comparability in access to services and in service prices.
- Model-based support mechanisms are more likely to be objective and less susceptible to manipulation than mechanisms based on booked costs; by limiting support to that prescribed by a model-based support mechanism, carriers are discouraged from incurring excessive costs.
- An appropriately designed revenue model can be linked to eligibility criteria for support, by defining the supported broadband Internet access services in terms of a minimum monthly rate.

Further, the Nebraska Companies urge the Commission to include in its modeling efforts the costs associated with connecting local-area rural broadband networks to the Internet backbone. Such middle-mile costs comprise a substantial portion of the total cost of providing retail broadband Internet access service for the Nebraska Companies themselves. For some of the Nebraska Companies, the cost of connecting broadband users to the Internet backbone *exceeds 50% of total broadband Internet access service revenue*.

IV. The Nebraska Universal Service Fund High-Cost Program Contains Elements the Commission Should Consider in the Development of a Federal Mechanism for Broadband Internet Access.

In considering how to determine which areas and which costs should be supported under a federal broadband support mechanism, the Nebraska Companies believe it is instructive for the Commission to review existing programs such as the Nebraska Universal Service Fund (NUSF) high-cost program, which targets support for basic telephone service to high-cost areas, and is partially based on costs of an advanced services-capable network. (Although the NUSF also includes low-income, rural health care and education programs, the term “NUSF” is used below to refer to only the NUSF high-cost program.)

The NPSC, acting on authority granted in the 1996 Act¹² and by the state legislature,¹³ implemented the NUSF in 1999 as a revenue-replacement mechanism coincident with the imposition of substantial state access rate reductions and minimum (“benchmark”) monthly local service rates as eligibility criteria for a carrier’s receipt of NUSF support.¹⁴ Nearly every local exchange carrier in Nebraska met these criteria on the NPSC’s prescribed schedule and has participated in the NUSF continuously since 1999. In 2004, the NPSC adopted a model-based mechanism, the Support Allocation Methodology (SAM), as its permanent high-cost support mechanism, which included a five-year transitional program from the previous revenue-neutral mechanism.¹⁵

¹² See 47 USC § 254(f).

¹³ See Nebraska Telecommunications Universal Service Fund Act., Neb. Rev. Stat. §§ 86-316 through 86-329.

¹⁴ See *The Nebraska Public Service Commission, on its own Motion, Seeking to Conduct an Investigation into Intrastate Access Charge Reform*, Application No. C-1628, Findings and Conclusions, entered Jan. 13, 1999.

¹⁵ See *In the Matter of the Nebraska Public Service Commission, on its own Motion, Seeking to Establish a Long-term Universal Service Funding Mechanism*, Application No. NUSF-26, Findings and

While the SAM's cost model utilizes the Benchmark Cost Proxy Model (BCPM) developed in the late 1990s by a consortium of telecommunications companies,¹⁶ SAM differs from BCPM in several important ways.¹⁷

First, the NPSC elected to model costs of a *broadband-capable network*; therefore, BCPM was executed under the assumption that local distribution plant is of fiber-fed copper loops, and under the condition that no copper loop is over 12,000 feet in length.¹⁸ (Such loops commonly support speeds of several hundred kilobits per second using widely-deployed DSL technology, and may support up to a few megabits per second.)

Second, due to the observation that BCPM indicates that loop costs constitute 86% of the total costs of providing basic local exchange service in Nebraska, a

Conclusions, entered Nov. 3, 2004 (NUSF SAM Adoption Order). For more thorough descriptions of SAM, see:

The Nebraska Universal Service Fund Support Allocation Methodology (SAM) Process of Determining Support, Application No. NUSF-26, Second Erratum to Progression Order No. 5, Appendix A, entered July 22, 2004 (NUSF SAM Description), available at:
<http://www.psc.state.ne.us/home/NPSC/usf/Orders/NUSF-26.2004.07.22.SECOND%20Erratum%20to%20Progression%20Order%20No%205%20Appendix%20A.doc>;

Implications of Supporting Multiple Networks in a Universal Service Environment, Application No. NUSF-26, Progression Order No. 5, Appendix B, entered June 29, 2004, available at:
<http://www.psc.state.ne.us/home/NPSC/usf/Orders/NUSF-26.2004.06.29.Production%20Order%20No%205%20Appendix%20B.doc>

Frost, Tyler E. and Rosenbaum, David I., "Recommendations for a Permanent Universal Service Support Mechanism," *The NRRJ Journal of Applied Regulation*, Vol. 3 (Dec., 2005), pp. 31-44.

¹⁶ The Commission has reviewed BCPM and other cost models in a number of proceedings. See, for example, *Guidance To Proponents Of Cost Models In Universal Service Proceeding: Customer Location And Outside Plant*, CC Docket Nos. 96-45 and 97-160, Public Notice, DA 97-2372, rel. Nov. 13, 1997 (Cost Model Guidance).

¹⁷ A current version of the NUSF distribution model, the SAM, is normally available for download as an Excel workbook from the NPSC's website at <http://www.psc.state.ne.us/home/NPSC/usf/main.html>, where it is labeled "NUSF-50 Model." Older versions are available upon request to Ms. Sue Vanicek, Director of the Nebraska Telecommunications Infrastructure and Public Safety Department, which administers the NUSF.

¹⁸ See *Cost Model Guidance*, section D.

determination was made to model *only loop cost*, and therefore to support only loop cost, as a proxy for the total cost of providing basic local service.¹⁹

Third, owing chiefly to the revelation from statistical analysis of BCPM results reported at the census block level that, far and away, the most significant independent variable correlated with loop cost is household density, the NPSC determined that SAM should model loop cost as a *function of a single variable: household density* (measured in households per square mile).²⁰

Fourth, a determination was made to define two distinct kinds of “support areas” – in-town and out-of-town²¹ – to facilitate the *targeting of support* to high-cost *areas* of the state more precisely than a study area (or even an exchange) level of granularity could achieve. By definition, the SAM support areas are subparts of telephone exchange areas. In practice, though, SAM allocates no support to any in-town support area, and has allocated widely varying levels of support to all of Nebraska’s out-of-town support areas except the Omaha exchange, the state’s most populous exchange.

Fifth, U.S. Census Bureau data was correlated with telephone exchange maps to

¹⁹ See *NUSF SAM Adoption Order* at para. 51.

²⁰ *Id.* at para. 58. The functional relationship between loop cost and household density in Support Area “i” is expressed as follows:

$$(\text{Loop Cost})_i = \alpha e^{-\beta * \text{HouseholdDensity}_i}$$

where:

$$\begin{array}{ll} \alpha = 604.74 \text{ and } \beta = 0.51197 & \text{for } \text{HouseholdDensity} \leq 4.5, \\ \alpha = 80.939 \text{ and } \beta = 0.040666 & \text{for } 4.5 < \text{HouseholdDensity} \leq 34, \\ \alpha = 20.487 \text{ and } \beta = 0.00026585 & \text{for } 34 < \text{HouseholdDensity}; \\ \text{HouseholdDensity}_i & = \text{household density in Support Area "i"}; \\ e & = \text{the base of the natural logarithms (approx. 2.71828)}. \end{array}$$

See *NUSF SAM Description* at p. 6.

²¹ In-Town Support Areas are defined as cities, villages, or unincorporated (census block) areas with twenty or more households and densities greater than 42 households per square mile. Out-of-Town Support Areas are defined as those areas within an exchange that are not included in any In-Town Support Area. See *NUSF SAM Description* at p. 6.

determine the household count, area, household density and thus *modeled loop cost per household* for each support area in the state.²²

Sixth, instead of using a simple fixed “benchmark” as a revenue proxy, the SAM incorporates a *per-household loop revenue model*, including not only 86% of the minimum basic local service rate (86% attributable to loop cost),²³ but also terms representing other revenue the NPSC determined attributable to loops costs – i.e., the federal Subscriber Line Charge and such potential sources as broadband service and state access service – and a factor representing the average number of revenue-producing lines per household.²⁴

The SAM then compares the modeled loop cost against modeled loop revenue in each support area to determine its per-household funding need, which is then multiplied by the support area’s household count to arrive at the *total modeled excess loop cost* for

²² *Id.*, at pp. 6-7.

²³ The SAM mechanism was adjusted in the NPSC’s NUSF-50 proceeding in 2006. Among the adjustments effective with the 2007 fund year was an increase in the residential benchmark rate, or modeled monthly revenue, from \$17.50 to \$17.95, but no increase in the minimum residential rate was required as a carrier eligibility requirement. See *In the Matter of the Nebraska Public Service Commission, on its own motion, to make adjustments to the universal service fund mechanism established in NUSF-26*, Application No. NUSF-50, Order, entered Dec. 19, 2006 (NUSF SAM Adjustment Order) at paras. 10 and 32.

²⁴ Monthly Loop Revenue per household is now modeled, for company “j,” according to the following formula:

$$\text{Loop Revenue}_j = [(\$17.95) \cdot (86\%) + \text{Adder-Adjustments}_j] \cdot [1.15]$$

where:

1.15 represents the number of loops, or access lines, per household;

“Adder-Adjustments_j” is the sum of the following three terms for company “j”:

SLC Adder-Adjustment_j: Company-specific amount (most are \$6.50);

DSL Adder-Adjustment: \$1.60 for all companies;

Access Adder-Adjustment_j: Company-specific amount.

See *NUSF SAM Description* at pp. 7-10; *NUSF SAM Adjustment Order* at para. 10. Note, however, that the formula in the actual NUSF distribution model (cf. *infra* note 16; see column I on sheet “BMs” of downloadable Excel workbook “Year5_NUSF_26_Distribution_PUBLIC.xls”) is as shown above, not as shown in the *NUSF SAM Description*.

the support area.²⁵

The NPSC elected to initially maintain the size of the NUSF under the SAM at approximately the same level as the revenue-neutral mechanism in effect from 1999 to 2004, and has maintained, with only one temporary deviation, an NUSF assessment on intrastate telecommunications revenues at 6.95% for the past ten years to fund the NUSF programs. This “fund size” is then used as a constraint on SAM allocations. Specifically, for those support areas in which loop cost exceeds loop revenue, *the SAM allocates support to each support area in proportion to its total modeled excess loop cost.* (Notably, support areas in which revenue exceeds cost not only receive no support, they are also not assumed to internally subsidize the high-cost support areas served by the same carrier.)

The Nebraska Companies emphasize that the NUSF SAM models Nebraska’s annual loop costs at nearly \$371 million and annual loop revenues at nearly \$217 million, leaving a net loop revenue shortfall of \$154 million. As noted in the preceding paragraph, however, the SAM does not award “negative support” to areas in which revenue exceeds cost (typically, in-town areas), and therefore the total statewide annual loop support requirement modeled by SAM is \$228.6 million. Total NUSF high cost support provided to all eligible carriers in 2009 is projected to be \$45.7 million, or only 20% of the modeled loop support requirement.²⁶

Following this allocation at the support area level, and totaling a carrier’s support

²⁵ See *NUSF SAM Description* at p. 10.

²⁶ The SAM loop cost per household is modeled in column K of sheet *Distribution_SA* of the SAM model; see *infra* notes 16 and 19. See *infra* note 23 regarding modeled loop revenue per household. Each row of sheet *Distribution_SA* represents one SAM Support Area. The 1,632 Support Areas listed cover all telephone exchange areas in the state.

areas to arrive at the carrier's modeled support, the SAM applies an *earnings cap*, such that no carrier's return on net plant investment – calculated according to formulas that account for returns in both state and federal jurisdictions – shall exceed 12% as a consequence of receiving NUSF support.²⁷

As a further adjustment, each NUSF recipient's support is reduced by an amount representing either (a) the revenue it could collect should it elect to charge out-of-town customers an extra \$2 per month over the \$17.95 benchmark effective with the 2007 fund year, or (b) the revenue it could collect should it elect to charge all its residential customers an extra \$1 per month, whichever is less.²⁸

Finally, support is ported to a number of competitive eligible telecommunications carriers (CETCs) which utilize UNE-loops of one of Nebraska's two non-rural incumbent carriers, both of which participate in the NUSF, according to a mechanism that combines the SAM's support area granularity with a cost-based, zone-dependent, UNE-pricing methodology in a manner that minimizes opportunities for CETCs to exploit the differences between the small SAM support areas and the much larger UNE zones.²⁹

In addition to the SAM mechanism for allocating NUSF support, the NPSC adopted several general policies to govern the administration of the high cost program.

²⁷ Each incumbent carrier participating in the NUSF must file an annual "NUSF Earn Form;" this Form and its Instructions may be downloaded at <http://www.psc.state.ne.us/home/NPSC/usf/main.html>. Earnings on net plant investment in excess of 12% are applied as an adjustment to NUSF support received two years later; see column O of sheet TM of the SAM model. On average, two-thirds of participating ILECs have had their NUSF support limited by this earnings cap each year from 2005 to 2009.

²⁸ See *NUSF SAM Adjustment Order* at paras. 21-24.

²⁹ See *NUSF SAM Adoption Order* at paras. 21-31; *NUSF SAM Adjustment Order* at paras. 29-30; see also, generally, the joint proceeding: *In the Matter of the Commission, on its own motion, to make adjustments to the universal service fund mechanism established in NUSF-26*, Application No. NUSF-50 Progression Order No. 3, combined with *In the Matter of the Commission, on its own motion, seeking to investigate whether the zones established in Docket No. C-2516 are appropriate in light of NUSF-26 findings and conclusions*, Application No. C-3554.

Among these is the NPSC's "single-network" policy, according to which the NPSC has made a rebuttable assumption that only the incumbent local exchange carrier's network will be supported, while simultaneously enunciating a procedure by which other carriers may petition the NPSC to become either (a) *the* recipient of NUSF support in a particular service area, replacing the incumbent carrier in that regard, or (b) eligible to receive funding *in addition to* the incumbent.³⁰

In sum, the NPSC has utilized a variety of modeling, statistical and demographic tools to craft a support methodology that the Nebraska Companies believe strikes a reasonable balance between serving public policy goals and administrative feasibility, while also being *specific, predictable*, and, in combination with federal support mechanisms, *sufficient* to support basic local exchange service – i.e., "yesterday's" universal service.³¹ Concerning support for "tomorrow's" universal service – broadband Internet access – the Nebraska Companies believe the NUSF is an appropriate state support mechanism for the largest cost component of broadband Internet access – the local network of last-mile broadband transmission facilities – but its magnitude is clearly insufficient without a complementary federal support mechanism. The Nebraska Companies reiterate that the SAM models an annual *local loop* support requirement (i.e., loop cost in excess of customer revenue attributable to the loop, in support areas in which cost exceeds revenue) of nearly \$230 million for Nebraska, whereas NUSF support paid to Nebraska carriers has averaged \$60.4 million over the last five years. This local loop funding need is ultimately based on a BCPM run using 12,000-foot copper loops, which

³⁰ See *NUSF SAM Adoption Order* at paras. 15-16.

³¹ See 47 USC §254(b)(5).

cannot support transmission speeds greater than a few megabits per second. The cost of local networks capable of supporting the broadband speeds consumers are now beginning to expect is likely to be significantly higher.

Beyond local broadband network costs, the Commission's broadband Internet access cost model should also incorporate Internet interconnection costs and other significant costs essential to provision of broadband access to the public Internet.

V. The Commission Should Adopt Clearer Incentives for States to Develop State-Level Broadband USF Programs.

The Nebraska Companies urge the Commission to develop specific incentives for states to share responsibility for funding broadband deployment in rural areas within their borders.

A. Citizens Should Not Rely Solely on the Federal Government for Infrastructure Support.

It is unrealistic to expect that the federal government alone can fund affordable broadband service for all consumers in high cost areas. States should be required to help meet some of the burden. Doing so will make states accountable and not over-burden so-called "low cost" states from funding 100% of support for so-called "high cost" states.

Further, in its enunciation of universal service principles in 47 USC § 254(b), Congress expressed its view that "[t]here should be specific, predictable and sufficient Federal *and State* mechanisms to preserve and advance universal service." (Emphasis added) To more fully effect this federal statutory principle, the Nebraska Companies believe the Commission's policies – in particular its universal service and access reform policies – should provide clear incentives for states to implement their own state universal service support mechanisms.

B. States Should Be Engaged in Political Decisions to Support Broadband Deployment.

Several aspects of the universal service framework articulated in the 1996 Act express a complementary relationship between federal and state authorities. The creation of the Federal-State Joint Board on Universal Service is the clearest example, but the policy principle noted in the preceding section and the permissive authority granted states in 47 USC 254(f) provide others. In the Nebraska Companies' view, these statutory provisions represent political, as well as operational, roles for the states.

The Nebraska Companies urge the Commission to clearly and openly affirm that states should be presented with the political opportunity to play an active role, complementary to that of the Congress and the Commission, in ensuring that all Americans have access to broadband services.

C. The Commission Should Provide Guidance to States in Estimating the Size of States' Broadband USF Programs.

As stated earlier in these comments, the Nebraska Companies believe the Commission should undertake the development of cost and revenue models for broadband Internet access service, for the purposes of assessing the total national funding need in high cost areas, specifying the manner in which federal support should be allocated to those areas and determining the amount of federal support that is politically realistic in light of the need. As it is unlikely that every single area of the nation will be sufficiently supported through federal mechanisms, states may elect to step in and fill any gaps remaining in the federal support program, by implementing state universal service programs explicitly designed to extend the reach of broadband services within their state boundaries. The Nebraska Companies urge the Commission to share the information

accumulated in the development of its cost and revenue models with state commissions, to help them size and tailor their high cost broadband support programs to best complement the Commission's efforts.

VI. Conclusion

As part of its plan for ensuring that all Americans have access to broadband capability, the Commission should acknowledge that market forces alone will not facilitate deployment in high cost areas of the nation. The Commission should identify *broadband access to the public Internet* as a supported universal service, and should begin now to develop cost and revenue models applicable to broadband access to the public Internet as an initial step in adopting explicit mechanisms to support the service. The NUSF SAM developed by the Nebraska Public Service Commission, described briefly in the preceding paragraphs, contains several features the Commission should consider in its evaluation of such support mechanisms. The Commission should not ignore the important role that states can play in achieving Congress's goal of ubiquitous broadband, and should provide clear incentives for states to be actively engaged in this national effort through adoption of state-level universal service programs to support broadband deployment.

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